

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Muscat City Desalination Company SAOG ("MCDC" or the "Company"), I am pleased to present the Directors' Report together with the unaudited financial statements of the Company for the six-month period ended 30 June 2018.

Health, Safety and Environment (HSE)

The Health, Safety and Environment performance of the Company to date has been excellent, with no Lost Time Accidents (LTA). The Muscat City Desalination Operations and Maintenance Company LLC ("MCDOMC") has completed 853 days without a LTA since the plant's commercial operations on 19 February 2016. Similarly there have been no environmental incidents for the same period.

Operations

The plant successfully passed its annual performance test for the 4th Contract Year under the Water Purchase Agreement ("WPA") with Oman Power and Water Procurement Company SAOC ("OPWP") by achieving the Guaranteed Contracted Water Capacity of 7955 m³/hour.

During the first six months of 2018, the Company has achieved a good level of operational performance demonstrating an availability of 96.6%, compared with 88.9% during the same period in 2017. The water dispatch during the first half of 2018 was 29,176,536 m³, an increase of 6.7% compared with 27,355,554 m³ during the same period in 2017.

Financial Results

Revenue for the first six months of 2018 was RO 8.01 million whilst the direct operating cost was RO 4.80 million. Accordingly, the gross profit for the period was RO 3.21 million, which is 17.8% higher compared with the same period in the previous year. General and administrative expenses for the first six months of 2018 was RO 0.43 million, which is lower by 9.6% compared with the same period last year. Finance costs for the first six months of 2018 was RO 1.66 million, or 6.8% lower than the finance costs incurred for same period last year. The Company recorded profit before tax (PBT) of RO 1.12 million which is 138.8% higher than the PBT for the same period last year. Overall, the Company achieved profit after tax of RO 0.67 million for the period compared with loss after tax of RO 1.06 million for the same period last year.

As at 30 June 2018, the share price of MCDC was 145 Baizas.

Corporate Governance

Following the MSM listing of the Company's shares, the Company has made substantial progress on the implementation of the SAOG Code of Corporate Governance ("Code"). The Company's policies and procedures have been updated to ensure due compliance with the Code.

Future Outlook

All reasonable and prudent measures has been and will continue to be taken by the Management of the Company to ensure high standards of health, safety and environmental compliance, and to sustain and improve reliability and availability going forward.

On behalf of the Board of Directors, I would like to extend our utmost appreciation and gratitude to His Majesty Sultan Qaboos Bin Said and His Government for their continued support and encouragement to the private sector by creating an environment that allows the Company to participate effectively in the growth of the Sultanate's economy and to contribute in the building of a strong nation.



Ahmad Fuaad bin Mohd Kenali
Chairman of the Board